

Unofficial Minutes of Premium Jobs Committee Meeting – November 14, 2016 at 2pm

Department of Business Regulation
Conference Room 69-2
1511 Pontiac Avenue
Cranston, RI 02920

Agenda Item 1) Meeting called to order at 2:03 pm.

Present:

Committee Members Present:

- Scottye Lindsey (Department of Business Regulation)
- Tom Callahan (Executive Office of Commerce), designee of Stefan Pryor (EOC)
- Michael Canole (Division of Taxation), designee of Robert Hull (Department of Revenue)

Committee Members Not Present:

- Jonathan Womer (Office of Management and Budget) (but participating without possibility of voting via phone)

Other Individuals Present : Elizabeth Dwyer (DBR), Jack Broccoli (DBR), Matt Gendron (DBR), Joe Codega (DOR), Jade Borgeson (DOR), Neil Downing (TAX), Paula Pallozzi (DBR), Joseph Rapczak (DBR), Dan Bryant (ACLI), Jennifer Morrison (Amica), Jeff Taylor (representing MetLife), Macky McCleary (DPUC) via phone, Marilyn Mcconaghy (DOR) via phone, Steven Cobb (TAX) via phone, Marlen Bautista (TAX) via phone, Robert Hull (DOR) via phone

Item 2) Overview and Statutory Purpose of Committee

Ms. Dwyer presented an overview of Public Law Chapter 538; there could be three annual rulemaking proceedings by this Committee to decide premium tax rates based on job creation, subject to 1% statutory minimum.

Mr. Callahan inquired as to the baseline relative to which the increase in employment of 350 jobs would be measured, and as to the definition of qualifying jobs. Mr. Gendron noted the 2015 year-end baseline and that qualifying jobs were those meeting a minimum of 35 hours per week at or above the Rhode Island median wage of \$18.77 per hour, and suggested that industry feedback to date indicates this may be difficult to apply.

Item 4) Discussion of Annual Statement Instructions

Mr. Broccoli presented a review of the statement form and instructions. Mr. Broccoli stated that this is based on what DOR can use to verify employment data, and it is anticipated that DOR will verify total withholdings using the provided FEINs. A method for verifying the number of qualified employees in RI and corresponding personal income tax withholding remains to be

determined. Mr. Broccoli stated that one big challenge is in how to account for employee turnover. He also noted that the statement form was provided to representatives of Amica and Met for review, who indicated that some requirements would not be overly burdensome but that there was some difficulty in determining the hours worked per week. Mr. Broccoli stated that the goal is to release the statement and instructions by end-of-week and requested further concerns be raised prior to that time.

Mr. Callahan inquired if there were plans to issue guidance to insurers regarding turnover methodology; Mr. Broccoli responded that it should not be an issue if the turnover rate is consistent, as the "350" number may trigger a rate calculation, but the absence of a personal income tax (PIT) revenue increase would result in no rate decrease. Mr. Lindsey referred to this as being a two-pronged test.

Mr. Callahan inquired to those in the industry if turnover would be a problem. Ms. Morrison indicated that turnover was generally consistent year-over-year.

Mr. Codega inquired as to the \$18.77/hour median wage and whether this was the median for a particular year or would be updated annually. Mr. Gendron noted that this was not specified in the law, and would be for the Committee to decide. Mr. Codega observed that the annual statement instructions would need to be updated each year to reflect the appropriate figure. A participant requested that the instructions for columns 5 and 9 be updated for consistency to read "filed with the RI Division of Taxation" rather than "filed with the RI Division of Revenue". No objections.

Item 3) Discussion of Premium Jobs Law

Mr. Gendron and Ms. Dwyer presented that the Committee would need to identify how it was going to calculate the amount of new personal income tax received to calculate lower premium taxes to under this law. Mr. Gendron stated his that the Committee could issue guidance of how it would conduct its ratemaking hearing, and that such guidance would not need to be promulgated as regulations under the Administrative Procedures Act. Mr. Womer inquired if the guidance documents would require the companies to provide particular information, or would merely be to advise about the process the Committee would undertake. Ms. Dwyer indicated that the guidance would be advisory as to the Committee's process, and that information from companies would be collected under DBR's authority without a new regulation.

Mr. Gendron summarized that the process would be to identify companies with employees in RI and then work with DOR, TAX, and ORA to measure additional revenue. This would require assumptions regarding how to translate tax withholding data to eventual tax liability.

Mr. Womer inquired as to the conditions under which the Committee would have to issue regulations. Mr. Gendron clarified that if the 350 jobs target was met, a regulation would need to be promulgated identifying the additional revenue taken in and the resulting premium tax

rate decrease, and that before any tax decrease could take place, the statute required notice to certain government entities 120 days before it could take effect. Ms. Dwyer further clarified that guidance documents would be used to define how to perform the calculations, and how the rulemaking would occur to implement the lowering of premium taxes.

Mr. Broccoli noted that insurers have requested to postpone the annual statement information filing deadline from March 1 to April 1, 2017 and that he would like to grant that request. He asked if anyone objected, and no objections were made. Ms. Pallozzi asked if future annual filings deadlines would revert to March 1. Mr. Broccoli stated that the deadline would remain April 1 for consistency.

Item 5) Discussion of Meeting Schedule for 2017

Ms. Dwyer noted that the next meeting had been tentatively scheduled for December 5 and suggested the meeting not be held as there were no matters to discuss. No objections.

Ms. Dwyer proposed 2017 meeting dates be scheduled monthly and cancelled if not needed. A phone participant suggested scheduling for every other month. Mr. Lindsey suggested the meetings be scheduled after the Annual Statement filings were received. Discussion ensued. The following meeting dates at 2pm were suggested without objection:

February 13, 2017
April 17, 2017
May 15, 2017
June 19, 2017
August 21, 2017
October 16, 2017
December 18, 2017

Ms. Dwyer suggested the Committee consider holding future meetings at DBR, and that if others found it more convenient to have them elsewhere, they could be moved. No objections were raised.

Meeting adjourned at 2:50 p.m.